SMSF PROPERTY FUND
AND ITS CONTROLLED ENTITIES
ARSN 159 753 474

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

This is annexure A of 44 pages referred to in form 388 "Copy of financial statements and reports"

Guy Hasenkam
Director

5 May 2020
Gold Coast

DIRECTORS' REPORT
30 JUNE 2019

The directors of Guardian Securities Limited (the “Responsible Entity”), the Responsible Entity of SMSF Property Fund (referred to hereafter as the “Fund”), present their financial report together with the financial statements of the Consolidated Entity (referred to hereafter as the “Consolidated Entity”), consisting of the unit trust and the special purpose vehicles it controlled for the year ended 30 June 2019, and the auditor’s report thereon.

Directors

The following persons were directors of Guardian Securities Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Guy Hasenkam	
Christopher Wilson	(resigned 24 January 2020)
Errol Jackson	(resigned 24 January 2020)

Principal activities

The Fund is a registered managed investment scheme domiciled in Australia. SMSF Property Fund is a property fund that was formed to acquire Australian residential property for development purposes on behalf of fund investors. The Fund invests in Australian residential property through special purpose vehicles established for each investment opportunity, each of which form part of the Consolidated Entity.

The Consolidated Entity did not have any employees during the period.

No significant change in the nature of these activities occurred during the year.

Scheme information

SMSF Property Fund (the “Fund”) is a registered managed investment scheme under the Corporations Act 2001. The Fund was constituted on 15 August 2012 and will terminate on 14 August 2092 unless terminated in accordance with the Constitution.

The registered office and principal place of business of the Responsible Entity and the Fund is Suite 45, Level 4 HQ Building, 58 Riverwalk Avenue, Robina QLD 4226.

Review of operations

The net loss from ordinary activities after income tax for the year ended 30 June 2019 amounted to $6,467,055 (2018: $4,138,635).

Included within the loss is impairment of $4,707,158 (2018: $2,642,764) which is largely due to the Consolidated Entity's builder going into administration during the prior financial year, which lead to additional work and defect recitifcations.

The majority of projects are in development stage and commercial revenues from sales were $6,861,907 (2018: $2,198,385).

Scheme assets
At 30 June 2019, the Consolidated Entity had total assets of $59,770,943 (2018: $48,916,527), which were primarily invested in various residential development projects in Australia. The Consolidated Entity had 748 investors at 30 June 2019 (2018: 712).

Review of operations (cont'd)	**2019**	**2018**
	$	**$**

Responsible entity
The following fees were paid to Guardian Securities Limited out of Consolidated Entity's property during the financial year:

Management fees paid directly by the Consolidated Entity	503,693	549,460

A director of the Responsible Entity, Guy Hasenkam has subscribed for $100,000 (2018: $100,000) preference shares in the subsidiary Livingstone Street Residences Development Pty Ltd and $nil (2018: $50,000) preference shares in the subsidiary Park Avenue Developments Pty Ltd. The Guardian Investment Fund, subscribed for $28,295,037 (2018: $19,652,692) preference shares in various special purpose vehicles during the financial year. The Responsible Entity and its associates had no other funds invested in the Consolidated Entity at balance date.

Distributions
Partial redemptions of $1,741,327 and no distributions were paid during the year (2018: no distributions and no partial redemptions).

Investor Funds
The Consolidated Entity received $1,455,000 (2018: $6,859,857) of investor funds during the year, while $1,741,327 was withdrawn (2018: $nil). The balance of investors' funds at the end of the financial year amounted to $16,937,489 (2018: $23,690,871).

Going concern
Chermside Residences Development Pty Ltd's going concern has been impacted by a former builder taking legal action and the sub-fund having to settle this claim. Alongside this, meeting the cost of Development Income Fund funding in the project has also depleted existing project cash reserves. To offset this, the sub-fund has been able to negotiate cost savings in the building contract and is in discussions with financiers to fund the completion of the construction with a view to holding the assets over the medium term to maximise value for investors.

The loan agreement for the Park Avenue SPV development became due to expire in March 2020. The directors have obtained an informal extension of the loan for the duration of this development. The directors are comfortable based on discussions with the lender that the loan will not be recalled and that continued support will be provided.

Significant changes in the state of affairs

In the opinion of the Responsible Entity, there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the year under review other than as disclosed in the review and results of operations.

Matters subsequent to the end of the financial year

On 12th August 2019 Chermside Residences Development Pty Ltd was issued with an enforcement warrant by the Queensland Magistrates Court for costs owing to KAS Projects Pty Ltd, the former builder of the project. As of 11 October 2019, these costs were settled.

Subsequent to year end, Burrell Avenue Development Pty Ltd's loan from Westpac has been extended to mature in July 2020. However the loan extension documents have not been fully executed.

Stafford Residences Development Pty Ltd was sold in March 2020. The funds from the sale were used to repay the external loan outstanding which was due to expire. Refer to Note 4 and 15 for further details.

Park Avenue Developments Pty Ltd has made sales subsequent to year end and used fund generated from the sale to repay the external loan outstanding at year end. The loan was due to expire on 28 March 2020, however the directors of the Responsible Entity have informally agreed with the lender to extend the loan for the duration of the development. Refer to note 4 and 15 for further details.

The Glenvale Devine Road Development's external loan amounting to $1,700,000 was fully repaid on 3 September 2019 using DIF preference share funding.

On 21 January 2020 Guardian Securities Limited, the Responsible Entity for the Consolidated Entity sold majority shareholding of 51% to the Venture Crowd Group. The remainder of the shares are to be sold under a put and call option on 21 January 2021.

Subsequent to year end, Chermside Residences Development Pty Ltd has exchanged contracts with an external builder to finalise the construction of the inventories. In order to fund the final construction costs, the sub-fund received a Letter of Offer for first registered mortgage finance over the underlying asset of the sub-fund, this financing will be used to payout the existing preference shares and fund the construction of the inventories.

The directors of the Responsible Entity have resolved to hold the underlying developed townhouses for rental returns and capital appreciation. Unitholders have been advised of the proposed strategy to build and hold the assets to ensure the highest possible sales are achieved and maximise investor returns.

Subsequent to year end, the global pandemic of COVID-19 has a significant impact on various industries including the real estate and property market. The impact of the pandemic has been assessed with regards to the Group however due to the uncertainty of the situation, the Group is unable to quantify the impact and will continue to assess the situation as it evolves. If the situation subsequently evolves in that there is a decline in the property market having a negative impact on rent and sales, this may impact on the valuation of the investment properties and inventories held by the Group.

Subsequent to year end, various developments have entered into sales contracts with standard sales terms and in accordance with forecast projections.

There have been no other transactions or events of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

Likely developments

The Consolidated Entity will continue to pursue its policy of increasing returns through active investment selection.

Further information about likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

Environmental regulations

The Consolidated Entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Indemnities and insurance premiums for officers or auditors

The Constitution of the Responsible Entity requires it to indemnify all current and former officers of the Responsible Entity (but not including auditors) out of the property of the Responsible Entity against:

a. any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given in that person's favour, or in which the person is acquitted, or in connection with an application in relation to any such proceedings in which the court grants relief to the person under the Corporations Act 2001; and

b. a liability incurred by the person, as an officer of the Responsible Entity or of a related body corporate, to another person (other than the Responsible Entity or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

During the financial year, the Responsible Entity paid an insurance premium in respect of a contract insuring each of the officers of the Responsible Entity. The amount of the premium is, under the terms of the insurance contract, confidential. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Responsible Entity or related body corporates. This insurance premium does not cover auditors.

The Consolidated Entity has not indemnified or insured directors or officers.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001* .

On behalf of the board,

Guy Hasenkam
Director

5 May 2020
Gold Coast

Accountants &
business advisers

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF GUARDIAN SECURITIES LIMITED AS RESPONSIBLE ENTITY FOR SMSF PROPERTY FUND

I declare to the best of my knowledge and belief, in relation to the audit of the financial report of SMSF Property Fund and its Controlled Entities for the year ended 30 June 2019, there have been:

(i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF (Gold Coast)

Michael Sheehy
Partner

5 May 2020
Gold Coast

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General information

The financial report covers SMSF Property Fund as a Consolidated Entity consisting of Paddington View Residences Development Pty Ltd (Paddington), Park Avenue Developments Pty Ltd (Park Avenue), Stafford Residences Development Pty Ltd (Stafford), Livingstone Street Residences Development Pty Ltd (Livingstone), Burrell Avenue Developments Pty Ltd (Burrell), Rosedene Street Residences Development Pty Ltd (Rosedene), Bryna Parade Residences Development Pty Ltd (Bryna), Chermside Residences Development Pty Ltd (Chermside), Fernvale Development Pty Ltd (Fernvale) and Glenvale Devine Developments Pty Ltd (Glenvale). The financial report is presented in Australian dollars, which is SMSF Property Fund's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 5 May 2020.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
Revenue and other income			
Sales revenue		6,861,907	2,198,385
Gain on revaluation	12	511,086	-
Rental income	12	98,390	-
Interest income	6	14,646	16,402
Total revenue		7,486,029	2,214,787
Expenses			
Cost of sales	11	(5,926,110)	(1,761,401)
Finance costs		(341,813)	-
Management fees	19	(503,693)	(549,460)
Professional fees		(389,706)	(260,991)
Marketing fees		(1,099,211)	(667,083)
Property expenses		(305,850)	(218,606)
Impairment expense	11	(4,707,158)	(2,642,764)
Other expenses		(69,189)	(238,644)
Total expenses		(13,342,730)	(6,338,949)
Loss before distributions and income tax attributable to unitholders		(5,856,701)	(4,124,162)
Distributions paid to investors		-	-
Loss after distributions and income tax attributable to unitholders		(5,856,701)	(4,124,162)
Income tax expense	7	(1,172,477)	(14,473)
Loss after distributions and income tax attributable to unitholders		(7,029,178)	(4,138,635)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income		-	-
Change in net assets attributable to unitholders		(7,029,178)	(4,138,635)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
Assets			
Cash and cash equivalents	8	1,133,798	389,082
Other receivables	9	724,483	580,452
Other assets	10	794,028	70,000
Inventories	11	53,508,634	46,995,005
Investment property	12	3,610,000	-
Deferred tax assets	13	-	881,988
Total assets		59,770,943	48,916,527
Liabilities			
Financial liabilities measured at amortised cost:			
Payables	14	4,120,848	2,930,000
Loans	15	8,227,570	2,662,917
Preference shares	16	30,485,037	19,361,106
Deferred tax liabilities	13	562,122	271,633
Total liabilities (excluding net assets attributable to investors)		43,395,577	25,225,656
Net assets attributable to investors – liability		16,375,366	23,690,871

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

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CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE YEAR ENDED 30 JUNE 2019

	Units on Issue No.	Net Assets Attributable to Unitholders $
Balance at 1 July 2018	32,782,800	23,690,871
Issue of units	1,455,000	1,455,000
Application funds received	-	-
Redemption of units	(2,265,435)	(1,741,327)
Increase in net assets attributable to unitholders from transactions in units	(810,435)	(286,327)
Change in net assets attributable to unitholders	-	(7,029,178)
Balance at 30 June 2019	**31,972,365**	**16,375,366**
Balance at 1 July 2017 - prior year accounts issued	26,357,947	20,969,649
Restatement *	(510,000)	-
Restated balance at 1 July 2017	25,847,947	20,969,649
Issue of units	6,934,853	6,859,857
Application funds received	-	-
Redemption of units	-	-
Increase in net assets attributable to unitholders from transactions in units	6,934,853	6,859,857
Change in net assets attributable to unitholders	-	(4,138,635)
Balance at 30 June 2018	**32,782,800**	**23,690,871**

* The prior year opening balance has been restated to reflect the unit distribution made to investors.

The above consolidated statement of changes in net assets attributable to unitholders should be read in conjunction with the accompanying notes

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated 2019 $	2018 $
Cash flows from operating activities			
Sales revenue		6,861,907	2,198,385
Rental income		98,390	-
Interest income		14,646	16,402
Payment for inventories		(20,245,811)	(19,451,855)
Management fees paid		(213,711)	(276,580)
Other operating costs paid		(2,172,961)	(1,245,596)
Income taxes paid		-	-
Net cash flows from/(used in) operating activities	26	(15,657,540)	(18,759,244)
Cash flows from investing activities			
Net cash flows from/(used in) investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of units and application monies received		1,455,000	6,859,857
Redemptions of units on issue		(1,741,328)	-
Proceeds from issue of preference shares		16,683,435	11,279,326
Redemptions paid for preference shares		(5,559,504)	(715,000)
Proceeds from borrowings		7,645,022	651,844
Repayment of borrowings		(2,080,369)	(128,544)
Net cash flows from/(used in) financing activities		16,402,256	17,947,483
Net increase/(decrease) in cash and cash equivalents		744,716	(811,761)
Cash and cash equivalents at the beginning of the financial year		389,082	1,200,844
Cash and cash equivalents at the end of the financial year	8	1,133,798	389,082

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

1 GENERAL INFORMATION

The SMSF Property Fund ("the Fund" or "The Consolidated Entity") is a registered managed investment scheme domiciled in Australia and that was formed to acquire Australian residential property for development purposes on behalf of fund investors. The Fund invests in Australian residential property through special purpose vehicles established for each investment opportunity, each of which form part of the Consolidated Entity.

The financial report covers SMSF Property Fund as a Consolidated Entity consisting of Paddington View Residences Development Pty Ltd, Park Avenue Developments Pty Ltd, Stafford Residences Development Pty Ltd, Livingstone Street Residences Development Pty Ltd, Burrell Avenue Developments Pty Ltd, Rosedene Street Residences Development Pty Ltd, Bryna Parade Residences Development Pty Ltd, Chermside Residences Development Pty Ltd, Fernvale Development Pty Ltd and Glenvale Devine Developments Pty Ltd. The financial report is presented in Australian dollars, which is SMSF Property Fund's functional and presentation currency.

The financial report was authorised for issue, in accordance with a resolution of directors of the Responsible Entity, on 5 May 2020.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for the Consolidated Entity, a for-profit oriented entity. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for financial assets and liabilities at fair value through profit or loss and net assets attributable to unitholders. The amount expected to be recovered or settled within 12 months in relation to these balances cannot be reliably determined.

The financial report has also been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

In the case of net assets attributable to unitholders, the units are only redeemable in accordance with the terms of the relevant Supplementary Product Disclosure Statement. The amount expected to be settled within 12 months cannot be reliably determined. Each class of unit is associated with its own sub-fund were investors have certain rights discrete from investors who hold other unit classes.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SMSF Property Fund ('Fund' or 'unit trust') as at 30 June 2019 and the results of all subsidiaries for the year then ended. SMSF Property Fund and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Consolidated Entity. Losses incurred by the Consolidated Entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Fair value measurement

The Consolidated Entity measures non-financial assets as investment properties at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Consolidated Entity. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair value measurement (cont'd)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Consolidated Entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Consolidated Entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sales revenue
Sales revenue is recognised at settlement, which is when the risks and rewards have been transferred to the customer in accordance with the valid sales contract.

Sales revenue - individual properties
Sales revenue is recognised at settlement, which is when control of the asset has been transferred to the customer in accordance with the valid sales contract. Sales revenue is recognised at the amount agreed in the contract.

Sales revenue - house and land packages
Sales revenue is recognised at settlement, which is when control of the asset has been transferred to the customer in accordance with the valid sales contract. Sales revenue is recognised at the amount agreed in the contract.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment property

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the Consolidated Entity. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties transferred from inventories that will be carried at fair value are measured at the date of transfer and any difference between the fair value of the property at that date and its previous carrying amount are recognised in profit or loss.

Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement
Financial assets are classified, at the initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Consolidated Entity's business model for managing them. The Consolidated Entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Consolidated Entity has applied the practical expedient are measured at the transaction price determined under AASB 15. Refer to the accounting policies in section "Revenue from contracts with customers".

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level.

The Consolidated Entity's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting the contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Consolidated Entity commits to purchase or sell the asset.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments - initial recognition and subsequent measurement (cont'd)

Financial assets (cont'd)

Subsequent measurement
For purposes of subsequent measurement, financial asset are classified in four categories:
- Financial assets at amortised cost (debt instruments),
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments),
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments),
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Consolidated Entity. The Consolidated Entity measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Consolidated Entity's financial assets at amortised cost includes trade receivables and a loan to an associate.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Consolidated Entity's statement of financial
- The rights to receive cash flows from the asset have expired, or
- The Consolidated Entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) the Consolidated Entity has transferred substantially all the risks and rewards of the asset, or
(b) the Consolidated Entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Consolidated Entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Consolidated Entity continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Consolidated Entity also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Consolidated Entity has retained.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments - initial recognition and subsequent measurement (cont'd)

Financial assets (cont'd)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Consolidated Entity could be required to repay.

Impairment of financial assets
Further disclosures relating to impairment of financial assets are provided in Note 3.

The Consolidated Entity recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Consolidated Entity expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Consolidated Entity applies a simplified approach in calculating the ECLs. Therefore, the Consolidated Entity does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Consolidated Entity has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Consolidated Entity considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Consolidated Entity may also consider a financial asset to be in default when internal or external information indicates that the Consolidated Entity is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Consolidated Entity. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at the initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable costs.

The Consolidated Entity's financial liabilities include trade and other payables, loans and borrowing.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments - initial recognition and subsequent measurement (cont'd)

Financial liabilities (cont'd)

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below for the material classifications:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied. The Consolidated Entity has not designated any financial liability as at fair value through profit or loss.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the amount is recognised in the statement of profit or loss.

Inventories

Inventories of the Consolidated Entity represent work in progress or finished goods for the property developments. Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:
- Raw materials: purchase cost on a first-in/first-out basis , or
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

Master Fund information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 24.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Consolidated Entity's functional currency.

Expenses

All expenses, including Responsible Entity's fees and custodian fees, are recognised in profit or loss on an accruals basis.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Where the Fund's units are classified as liabilities, distributions attributable to unitholders are recognised in profit or loss as finance costs.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Distribution and taxation

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed so that the Consolidated Entity is not subject to capital gains tax.

Units issued, applications and redemptions

All redeemable units issued by the Fund provide the investors with the right to redemption for cash and give rise to a financial liability. In accordance with the Product Disclosure Statement the Fund is contractually obliged to redeem units at the redemption price, however redemption is subject to the availability of surplus liquidity and at the approval of the Responsible Entity.

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

Goods and Services Tax ('GST')

Management fees, custody fees and other expenses are recognised net of the amount of Goods and Services Tax (GST) recoverable from the Australian Taxation Office (ATO). Payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows are included in the statement of cash flow on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2018. The nature and the impact of each new standard and/or amendment is described below including the changes in accounting policies:

AASB 9 Financial instruments
AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. This has therefore resulted in a change of accounting policy for the Consolidated Entity during the financial year.

Under AASB 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. Under AASB 9, financial assets are either classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New, revised or amending Accounting Standards and Interpretations adopted (cont'd)

For debt instruments, the classification is based on two criteria: the Consolidated Entity's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. A financial asset can only be measured at amortised cost if both of the following are satisfied:
• Business model: the objective of the business model is to hold the financial asset for the collection of the contractual cash flows
• Contractual cash flows: the contractual cash flows under the instrument relate solely to payments of principal and interest.

The Consolidated Entity has applied AASB 9 retrospectively, with the initial application date of 1 July 2018. The assessment of the Consolidated Entity's business model was made as of the date of initial application, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was made based on the facts and circumstances as at the initial recognition of the assets. The adoption of AASB 9 did not result in a material impact on the financial statements other than a re-classification of financial instruments as outlined below:

Change in classification	Classification AASB 9	Classification AASB 139
Financial assets		
Trade and other receivables	Debt instruments at amortised cost	Loans and receivables
Financial liabilities		
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Bank loans	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Preference shares	Financial liabilities at amortised cost	Financial liabilities at amortised cost

AASB 15 Revenue from contracts with customers
AASB 15 and its related amendments supersede AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations. It applies to all revenue arising from contracts with its customers and became effective for annual periods beginning on or after 1 January 2018.

AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognised when (or as) control of a good or service transfers to a customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New, revised or amending Accounting Standards and Interpretations adopted (cont'd)

AASB 15 Revenue from contracts with customers (cont'd)
The Consolidated Entity has applied AASB 15 retrospectively, with the initial application date of 1 July 2018. The assessment of the Consolidated Entity's business model was made as of the date of initial application, and then applied retrospectively which has resulted in the restatement of comparative information. Revenue from contracts with customers under AASB 15 is recognised based on the below accounting policies, however there has been no monetary impact on the point of recognition and fair value of the consideration on adoption of these policies:

Sales revenue - individual properties
Sales revenue is recognised at settlement, which is when control of the asset has been transferred to the customer in accordance with the valid sales contract. Sales revenue is recognised at the amount agreed in the contract.

Sales revenue - house and land packages
Sales revenue is recognised at settlement, which is when control of the asset has been transferred to the customer in accordance with the valid sales contract. Sales revenue is recognised at the amount agreed in the contract.

New accounting standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2019. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for impairment of inventories
The provision for impairment of inventories assessment required a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the estimated costs to complete and other factors that affect net realisable value. The directors of the Responsible Entity have assessed that as at 30 June 2019 certain inventory write downs were required for specific developments where estimated total construction costs exceed the estimated net realisable value. Refer to Note 11 for further details.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for the each group. These assumptions include recent sales experience and historical collection rates.

Income tax
The Consolidated Entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity recognises liabilities for anticipated tax audit issues based on the Consolidated Entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Consolidated Entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The directors of the Responsible Entity utilise project profit forecasts to assess the probability of whether such taxable amounts will be available. Forecasts are based on inputs and assumptions which are judgemental and may not be achievable. If forecast taxable amounts are not achieved, deferred tax assets may either be fully or partially non-recoverable resulting in these values being expensed. The directors of the Responsible Entity have determined that there is compelling evidence to recognise deferred tax assets in relation to temporary differences and losses on certain special purpose vehicle developments due to the level of forecasted profits. Refer to Note 13 for further details.

4 GOING CONCERN

The Consolidated Entity has incurred a net loss of $6,467,055 for the financial year ended 30 June 2019 (2018: $4,138,635) and had net assets attributable to investors of $16,937,490 (2018: $23,690,871) as at that date. Based on current internal cash flow forecasts, each special purpose vehicle (subsidiaries) have access to sufficient resources to fund the estimated costs to complete each development and if required, each special purpose vehicle has the capacity to borrow external debt funding to fund these estimated costs to complete.

As at the date of this report, Park Avenue Development Pty Ltd's external loan, as outlined in note 15 was due for repayment on 28 March 2020, however the loan extension documentation has not been formally finalised. The directors of the Responsible Entity are confident that this loan will be extended for a further 6 to 12 months or at such time there will be sufficient sales to repay the loan as well as cover the estimated net completion costs. If external funding is not obtained, there is an option to obtain funding by preference shares in the Development Income Fund.

As at the date of this report, Stafford Residences Development Pty Ltd's external loans, as outlined in note 15 were due for repayment. The final property was sold subsequent to year end with the proceeds from the sale of the property used to repay the loans in full.

Burrell Avenue Developments Pty Ltd.'s external bank loan, as outlined in Note 15, has been extended to July 2020 however, the loan extension documentation has not been formally finalised. The directors of the Responsible Entity are confident that this loan will be extended for a further 6 to 12 months which they estimate will be sufficient to cover estimated net completion costs. If external funding is not obtained, there is an option to obtain funding by preference shares in the Development Income Fund.

It has been determined by the directors of the Responsible Entity that Chermside Residences Development Pty Ltd is not considered a going concern. Due to various events outside the control of the sub-fund including weather events and ground works issues, the sub-fund has incurred construction costs significantly above the forecasted costs. This has resulted in total impairment of the inventory over the term of the project of $2,116,526. During the 2019 financial year, the sub-fund has also been engaged in legal disputes against the previous builder. Chermside has fully paid all claims in the 2019 financial year. Chermside's position is not considered material to the Group as a whole and therefore the financial statements have been prepared on a going concern basis.

The Director's do not consider any of the nearing due or overdue loans as stated above to be recalled within the next 12 months or until sufficient sale proceeds are received to repay the loans. There is no history of overdue loans being recalled, however it is possible that these debts can be recalled and if this does occur and there is no additional external funding or sales proceeds able to fund the remaining cost to complete, the entities will no longer be considered a going concern.

As such, the financial report has been prepared on a going concern basis as management is confident that the Consolidated Entity is a going concern and that it can meet its debts and obligations as and when they fall due at least until 28 February 2021.

5 NET ASSETS ATTRIBUTABLE TO INVESTORS – LIABILITY

Quantitative information about the Consolidated Entity's net assets attributable to unitholders is provided in the Statement of Changes in Net Assets Attributable to Unitholders. The Consolidated Entity manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

5 NET ASSETS ATTRIBUTABLE TO INVESTORS – LIABILITY (CONT'D)

Investors within the Consolidated Entity are issued classes of units which correspond with the particular development the investors are investing in. Classes of units are issued with a fixed term and no withdrawal rights. Prior to the expiry of a class of units, properties corresponding to that class of units must be sold and net proceeds distributed to investors. Investors in a class of units will have a proportional beneficial interest in the property corresponding to that class of units. Investors will not have a beneficial interest in a property corresponding to another class of units.

6 INTEREST INCOME

	Consolidated 2019			Consolidated 2018		
	Balance	Interest income	Average rate	Balance	Interest income	Average rate
	$	$	%	$	$	%
Cash & cash equivalents	1,133,798	14,646	1%	389,082	16,402	4%

7 INCOME TAX

	Consolidated 2019	Consolidated 2018
Income tax expense	$	$
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	1,172,477	14,473
Aggregate income tax expense	1,172,477	14,473
Deferred tax included in income tax benefit comprises:		
Deferred tax assets	881,988	(133,502)
Deferred tax liabilities	290,489	147,975
Deferred tax - origination and reversal of temporary differences	1,172,477	14,473
Numerical reconciliation of income tax expenses and tax at the statutory rate		
Loss before income tax benefit	(5,856,701)	(4,124,162)
Tax at the statutory tax rate of 27.5% (2018: 27.5%)	(1,610,593)	(1,134,145)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Fines & penalties	158	43
Legal fees	17,928	-
Blackhole expenditure	87,777	14,696
Capital raising expenditure	-	-
Other		61
	(1,504,730)	(1,119,345)
Under (over) provision from prior years	-	-
Derecognition of tax losses and temporary differences	881,988	201,673
Tax losses not recognised in current year *	1,504,730	932,145
Previously unrecognised temporary difference now recognised	290,489	-
Previously unrecognised tax losses now recognised	-	-
Change in effective tax rate	-	-
Income tax expense	1,172,477	14,473

* Unrecognised tax losses of the Consolidated Entity amount to $13,194,371 as at 30 June 2019.

8 CASH AND CASH EQUIVALENTS

	Consolidated 2019 $	Consolidated 2018 $
Cash held with banks	1,133,798	389,082

Reconciliation to cash and cash equivalents at the end of the financial year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

	2019 $	2018 $
Balances as above	1,133,798	389,082
Balance as per statement of cash flows	1,133,798	389,082

9 OTHER RECEIVABLES

	2019 $	2018 $
GST receivables	525,698	481,792
Other receivables	198,785	98,660
	724,483	580,452

Included within other receivables are amounts due from related parties. Refer to Note 23 for further details.

10 OTHER ASSETS

	2019 $	2018 $
Bonds	332,721	70,000
Prepayments	226,558	-
Accrued revenue	234,749	-
	794,028	70,000

11 INVENTORIES

	2019 $	2018 $
Work in progress	50,908,804	43,373,898
Finished goods	2,599,830	3,621,107
Closing balance	53,508,634	46,995,005

Reconciliation of the movement since the beginning of the previous financial year:

	2019 $	2018 $
Opening balance	46,995,005	31,947,313
Acquisitions	16,555,388	19,228,501
Capitalisation of interest	3,690,424	223,356
Disposals	(5,926,110)	(1,761,401)
Provision for impairment	(4,707,158)	(2,642,764)
Transferred to investment property	(3,098,915)	-
Closing balance	53,508,634	46,995,005

11 INVENTORIES (CONT'D)

	Acquisition date	Opening Balance $	Capitalised Costs $	Disposal $	Impairment Provision $	Book value 30 June $
The following table presents individual properties owned by the Consolidated Entity:						
2019						
Paddington	31-May-13	3,621,107	43,170	(1,839,276)	-	1,825,002
Park Avenue	20-Jan-15	6,736,139	2,822,434	(2,443,884)	-	7,114,689
Stafford	16-Jun-14	1,431,143	120,072	(776,387)	-	774,828
Livingstone *	31-Jul-14	3,040,716	58,199	(3,098,915)	-	-
Burrell	6-Feb-15	4,155,221	336,896	(866,563)	(300,020)	3,325,534
Rosedene	27-Apr-15	5,385,669	799,328	-	(2,402,577)	3,782,420
Bryna	16-Jul-15	7,925,557	2,083,785	-	(739,910)	9,269,432
Chermside	1-Oct-15	1,162,035	958,943	-	(768,559)	1,352,420
Fernvale	23-Jun-17	4,605,811	2,685,542	-	(496,092)	6,795,260
Glenvale	2-Feb-18	8,931,608	10,337,441	-	-	19,269,049
		46,995,005	20,245,811	(9,025,025)	(4,707,158)	53,508,633
2018						
Paddington	31-May-13	3,628,158	(7,051)	-	-	3,621,107
Park Avenue	20-Jan-15	7,435,393	1,062,147	(1,761,401)	-	6,736,139
Stafford	16-Jun-14	858,384	572,759	-	-	1,431,143
Livingstone	31-Jul-14	2,696,173	597,543	-	(253,000)	3,040,716
Burrell	6-Feb-15	3,652,085	503,136	-	-	4,155,221
Rosedene	27-Apr-15	4,418,817	2,230,199	-	(1,263,347)	5,385,669
Bryna	16-Jul-15	6,391,835	1,533,721	-	-	7,925,557
Chermside	1-Oct-15	1,760,193	528,259	-	(1,126,417)	1,162,035
Fernvale	23-Jun-17	1,106,276	3,499,534	-	-	4,605,811
Glenvale	2-Feb-18	-	8,931,608	-	-	8,931,608
		31,947,313	19,451,857	(1,761,401)	(2,642,764)	46,995,005

* A resolution of investors was passed to hold finished goods as investment property.

Title
All titles held are freehold.

Work in progress
Work in progress relates to seven (2018: ten) developments in Queensland being undertaken by the Consolidated Entity. Some of these developments have entered into fixed price agreements as at 30 June 2019 and under these agreements the Consolidated Entity has commitments of $13,929,272 (2018: $24,799,350) for the completion of construction under these contracts. Included within the commitments is $6,898,133 (2018: $19,803,212) of commitments relating to Glenvale Devine Developments Pty Ltd's construction contract.

Finished goods
Included in inventories is $2,599,830 (2018: $3,621,107) relating to two (2018: two) completed developments being Paddington View Residences and Stafford Residences Development as at 30 June 2019.

11 INVENTORIES (CONT'D)

Impairment
Provision for impairment of $4,707,158 (2018: $2,642,764) has been recorded to record inventories at their net realisable value.

Economic dependency
All of the Consolidated Entity's projects are being developed by SMSF Property Australia Pty Ltd and all civil works contracts are with Integrated Civil Pty Ltd, a related entity to SMSF Property Australia Pty Ltd. Should these entities be unable to complete the projects under the existing contracts, this may result in a significant negative economic impact on the projects and their recoverability. Refer to Note 22 and Note 23 for further details.

Debt security and ranking
The Burrell Avenue Developments property has been mortgaged under a bank loan. Refer to Note 15 for further information.

The Glenvale Devine Road Development, Park Avenue Development and the Stafford Residence Development have been mortgaged under an external, third-party loan. Refer to Note 15 for further details.

Various subsidiaries of the Consolidated Entity have issued preference shares to assist with funding of the various projects. These preference shares have priority repayment over ordinary unitholder in the various classes of units of the Consolidated Entity.

The Responsible Entity ("RE"), recorded a breach during the financial year relating to the preference shares on issue from the Development Income Fund ("DIF") to the Chermside, Fernvale and Glenvale Developments. The Chermside and Fernvale Developments breached the DIF preference share terms by exceeding the funding limits. The Glenvale Development breached the DIF preference share terms by entering into an external third-party loan agreement while DIF preference share funding was on issue. The director's of the RE determined it was in the best interest of the investors to breach these terms. Without DIF involvement, there was a risk the project's would have been substantially delayed causing an erosion of investors capital.

12 INVESTMENT PROPERTIES

	Consolidated	
	2019	**2018**
	$	**$**
Investment properties	3,610,000	-

Set out below, is a reconciliation of the movement in investment properties for the financial year ended 30 June 2019 and the financial year ended 30 June 2018:

Opening balance	-	-
Transfers from inventories	3,098,914	-
Net gain from fair value adjustments	511,086	-
Closing balance	3,610,000	-

The Consolidated Entity's investment properties consist of five residential commercial properties in Australia. Management determined that the investment properties consist of one classes of assets − residential − based on the nature, characteristics and risks of each property.

12 INVESTMENT PROPERTIES (CONT'D)

	Consolidated 2019 $	2018 $

As at 30 June 2019, the fair values of the properties are based on independent third-party valuations.

Set out below, is a reconciliation of the amounts recognised in the income statement for the investment properties for the financial year ended 30 June 2019 and the finanical year ended 30 June 2018:

	2019 $	2018 $
Rental income derived from investment properties	90,949	-
Direct operating expenses generating rental income	-	-
Direct operating expenses that did not generate rental income	(83,733)	
Profit arising from investment properties carried at fair value	7,216	-

The Consolidated Entity has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Fair value hierachy diclosure for investment properties are in Note 17

Reconciliation of fair value of residential properties:

	2019 $	2018 $
Opening balance		-
Remeasurement recognised in profit or loss	511,086	-
Purchases	-	-
Closing balance	511,086	-

Livingstone Street Residence Development Pty Ltd
As outlined in note 11, on 28th August 2018, the unitholders of the Livingstone Street Residence Class of Units resolved to extend the term of the Class of Units for five years to enable the sub-fund to hold the underlying developed townhouses for rental returns and capital appreciation. As a result, the finished goods inventory was transferred to investment properties on this date. Livingstone Street Residences Development Pty Ltd has issued preference shares to assist with funding of the construction of this property. These preference shares have priority repayment over ordinary unitholder in the corresponding classes of units of the Consolidated Entity. Refer to note 16 for further information. The property has been mortgaged under a third-party external loan. Refer to note 15 for further details.

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	2019 $	2018 $
Within one year	57,511	-
Later than one year but no later than 5 years	3,811	-
	61,322	-

13 DEFERRED TAXES

	Consolidated	
	2019	2018
Deferred tax assets comprises temporary differences attributable to:	$	$
Amounts recognised in profit or loss:		
Tax losses	-	881,988
Deferred taxes asset	-	881,988
Movements:		
Opening balance	881,988	748,487
Derecognised through profit or loss	(881,988)	133,501
Closing balance	-	881,988
Deferred tax liabilities comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Inventories – work in progress	562,122	271,633
Deferred tax liabilities	562,122	271,633
Movements:		
Opening balance	271,633	123,659
Tax (expense) / benefit recognised through profit / loss	290,489	147,974
Derecognised through equity	-	-
Closing balance	562,122	271,633

Carried forward tax losses and other temporary differences have not have not been recognised as deferred taxes in the 2019 financial year as the consolidated entity does not meet the recognition criteria.

14 PAYABLES

	2019	2018
Trade payables and accruals	3,808,901	2,496,347
Deposits	311,947	408,234
Other payables	-	25,419
	4,120,848	2,930,000

Deposits related to instalments made under four (2018: four) house and land package purchases in Park Avenue Development. During the financial year, one of the houses construction was completed and settlement occurred with the respective buyer, whilst another contract was cancelled due to delays and the deposit refunded. As at 30 June 2019, there are two remaining house and land package purchases of which construction has commenced on one of the houses with a licenced builder. Refer to note 21 for further information.

15 LOANS

	2019	2018
Bank loan	1,491,324	2,611,081
External loan	6,728,479	-
Loans from related party	7,767	51,836
	8,227,570	2,662,917

15 LOANS (CONT'D)

Loans payable consist of a bank loan amounting to $1,491,324 (2018: $2,611,081) which is interest bearing at 4.25% (2018: 4.25%), maturing in July 2020 and has a first mortgage security over Burrell Avenue Development's property as outlined in Note 4 and Note 11. The directors of the Responsible Entity are confident that this loan will be extended for a further 6 to 12 months as required to complete and sell the underlying properties, however no formal documentation has been signed at the date of this report.

Loans payable also includes $6,728,479 (2018: $nil) of loans with external financiers.

The Park Avenue Development's loan amounting to $3,235,000 (2018: $nil) is interest bearing at 12%, maturing on 28 March 2020 and has first registered mortgage over Park Avenue Development's property as outlined in Note 4 and 11. The directors of the Responsible Entity are confident that this loan will be extended for a further 6 to 12 months which they estimate there will be sufficient sales to repay the loan as well as cover the estimated net completion costs. If external funding is not obtained, there is an option to obtain funding by preference shares in the Development Income Fund.

The Stafford Residences Development has three separate loans amounting to $463,479 (2018: $nil), all loans are interest bearing at 9.5% and are all due to mature on 8 March 2020 and has first registered mortgage over Stafford Residence Development's property as outlined in Note 4 and 11. There is a partially signed contract of sale over the final unsold property. Settlement date for the sale is 20 March 2020. The directors of the Responsible Entity are confident that the loans will be extended until the sale of the final property and that the sale proceeds are sufficient to cover the repayment of the loans.

The Glenvale Devine Road Development's loan amounting to $1,700,000 is interest bearing at 15% and was fully repaid subsequent to year end on 3 September 2019 using DIF preference share funding, refer to note 11 and 27 for further details, the loan has first registered mortgage over the property.

The Livingstone Street Residence Development's loan amounting to $1,330,000 (2018: $nil) is interest bearing at 10% maturing on 13 May 2020 and has first registered mortgage over Livingstone Street Residence Development's property as outlined in Note 11.

Loans payable also include $7,767 (2018: $51,836) of loans from a related party which is interest free and unsecured as outlined in Note 24.

16 PREFERENCE SHARES

	Consolidated	
	2019	**2018**
	$	**$**
Preference shares issued	30,485,037	19,361,106

Cumulative preference shares have been issued to related parties from various development special purpose vehicles within the Consolidated Entity. The preference shares are interest bearing at 12% per annum, are redeemable 12 months from the date of issue and have priority repayment over investor units. As at 30 June 2019, various preference shares issued were due for redemption, however will not be redeemed until the properties underlying the developments are completed and sold. Refer to Note 23 for further information.

16 PREFERENCE SHARES (CONT'D)

Reconciliation:

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	Consolidated 2019 $	Consolidated 2018 $
Opening value	19,361,106	8,796,780
Issued during the year	16,683,435	11,279,326
Redeemed during the year	(5,559,504)	(715,000)
Closing value	30,485,037	19,361,106

17 FAIR VALUE MEASUREMENT

	Date of valuation	Total	Fair Value Measurement Using: Quoted prices in active market (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)
Fair value measurement hierarchy at 30 June 2019:					
Investment Properties					
Residential properties	30-Jun-19	3,610,000	-	3,610,000	-
Fair value measurement hierarchy at 30 June 2018:					
Investment Properties					
Residential properties	30-Jun-18	-	-	-	-

There were no transfers between Level 1 and Level 2 during 2019 and 2018.

18 FINANCIAL INSTRUMENTS

The Consolidated Entity’s assets principally consist of inventories, investment property and cash investments. It holds these assets at the discretion of the Responsible Entity and Investment Committee in accordance with the Fund’s constitution and Product Disclosure Statement.

The allocation of assets between the various types of assets described above is determined by the Fund’s Manager and Investment Committee who manage the Consolidated Entity’s portfolio of assets to achieve the Consolidated Entity’s investment objectives.

The Consolidated Entity’s investing activities expose it to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

18 FINANCIAL INSTRUMENTS (CONT'D)

The nature and extent of the financial instruments employed by the Consolidated Entity are discussed below. This note presents information about the Consolidated Entity's exposure to each of the above risks, the Consolidated Entity's objectives, policies and processes for measuring and managing risks.

The Board of Directors of the Responsible Entity and Investment Committee has overall responsibility for the establishment and oversight of the Consolidated Entity's risk management framework.

The Board and Investment Committee is responsible for developing and monitoring the Consolidated Entity's risk management policies, including those related to its investment activities. The Consolidated Entity's risk management policies are established to identify and analyse the risks faced by the Consolidated Entity, including those risks managed by the Responsible Entity and Investment Committee, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Entity's activities.

The Board and Investment Committee monitors compliance with the Consolidated Entity's risk management strategies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated Entity.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and property values will affect the Consolidated Entity's income. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market risk is managed by the Board of Directors and Investment Committee.

Property value risk
The majority of the Consolidated Entity's assets are inventories which represent residential development properties. As a result, the Consolidated Entity is subject to property value risk from fluctuations in the prevailing levels of market property values. Changes in property values could have an effect on the net realisable value of the developments which would in turn impact the underlying value of the unitholders funds.

Interest rate risk
A significant portion of the Consolidated Entity's financial assets and financial liabilities are interest-bearing. Interest-bearing financial assets and financial liabilities have variable interest rates and/or mature in the short-term. As a result, the Consolidated Entity is subject to exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash is invested in an interest-bearing deposit account with an Australian regulated banking institution.

The Consolidated Entity's interest rate risk is monitored on a monthly basis by the Board of Directors and Investment Committee.

Interest rate profile
At reporting date the interest rate profile of the Consolidated Entity's interest-bearing financial instruments was:

18 FINANCIAL INSTRUMENTS (CONT'D)

	Note	Consolidated 2019 $	Consolidated 2018 $
Fixed and variable rate instruments			
Financial assets:			
Cash and cash equivalents	8	1,133,798	389,082
Financial liabilities:			
Loans	15	8,227,570	2,662,917
Preference shares	16	30,485,037	19,361,106
		38,712,607	22,024,023

Interest rate sensitivity
An increase or decrease of 100 basis points in interest rates as at the reporting date would have an insignificant effect on the net assets attributable to unitholders and operating results.

The Consolidated Entity has issued preference shares which pay fixed interest of 12% per annum to the debt holders.

Credit risk

Credit risk is the risk that a counterparty to a financial instruments will fail to discharge an obligation or commitment that it has entered into with the Consolidated Entity. The Responsible Entity and Investment Committee manage the exposure to credit risk on an ongoing basis.

The Consolidated Entity's maximum exposure to credit risk at the reporting date was:

	Note	2019 $	2018 $
Cash and cash equivalents	8	1,133,798	389,082
Other receivables	9	724,483	580,452
Other assets	10	794,028	70,000
		2,652,309	1,039,534

All of the cash held by the Consolidated Entity is held by Australian regulated banks.

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity's liquidity risk is managed on a monthly basis by the Board of Directors and Investment Committee in accordance with the policies and procedures in place.

Investors are not eligible to redeem their units in the Consolidated Entity prior to the expiration of their relevant investment term as outlined in the Product Disclosure Statements. In the event that the underlying properties for each development are not sold prior to the expiration of the term, the term of the investment is automatically extended by the Consolidated Entity.

The following are the contractual maturities of financial liabilities, excluding interest payments and excluding the impact of netting agreements:

18 FINANCIAL INSTRUMENTS (CONT'D)

Consolidated 2019	Carrying value $	Contractual cash flows $	0-6 Months $	6- 12 Months $	1-2 years $	More than 2 years $
Accounts payable	4,120,848	4,120,848	4,120,848	-	-	-
Loans	8,227,570	8,227,570	8,227,570	-	-	-
Preference shares*	30,485,037	30,485,037	500,000	15,462,500	8,447,000	6,075,537
	42,833,455	42,833,455	12,848,418	15,462,500	8,447,000	6,075,537
Consolidated 2018						
Accounts payable	2,930,000	2,930,000	2,930,000	-	-	-
Loans	2,662,917	2,662,917	2,662,917	-	-	-
Preference shares	19,361,106	19,361,106	1,166,500	8,642,037	6,512,569	3,040,000
	24,954,023	24,954,023	6,759,417	8,642,037	6,512,569	3,040,000

* The preference shares have a Redemption Date of 12 months from the date of issue or upon sale of the assets by the issuer, whichever occurs earlier. Should the issuers project remain incomplete, unsold or otherwise unable to generate sufficient funds to redeem the Preference Shares at the Redemption Date, then the issuer will have right to automatically extend the term until sufficient profits are achieved in order for them to redeem the Preference Shares.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Consolidated Entity's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Consolidated Entity's operations.

The objective of the Responsible Entity and Investment Committee is to manage operational risk so as to balance the avoidance of financial losses and damage to the Consolidated Entity's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

19 FINANCIAL INSTRUMENTS (CONT'D)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Responsible Entity and Investment Committee. This responsibility is supported by the development of standards for the management of operational risk in the following areas:
• requirements for appropriate segregation of duties, including the independent authorisation of transactions;
• requirements for the reconciliation and monitoring of transactions;
• compliance with regulatory and other legal requirements;
• documentation of controls and procedures;
• requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
• requirements for the reporting of operational losses and proposed remedial action;
• development of contingency plans;
• training and professional development;
• ethical and business standards; and
• risk mitigation, including insurance where this is effective.

19 KEY MANAGEMENT PERSONNEL DISCLOSURES

The directors of Guardian Securities Limited are considered to be Key Management Personnel of the Consolidated Entity. The Directors of the Responsible Entity in office during the year and up to the date of the report are:

Guy Hasenkam	
Christopher Wilson	(resigned 24 January 2020)
Errol Jackson	(resigned 24 January 2020)

In addition to the Directors noted above, Guardian Securities Limited, the Responsible Entity of the Consolidated Entity, is considered to be Key Management Personnel with the authority for the strategic direction and management of the Consolidated Entity.

Compensation
No amount is paid by the Consolidated Entity directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 “Related Party Disclosures” is paid by the Consolidated Entity to the Directors as Key Management Personnel.

Guardian Securities Limited provides management services to the Fund. Transactions between the Fund and the Responsible Entity result from normal dealings with that company as the Fund's Responsible Entity. Guardian Securities Limited is an Australian Financial Services License holder.

Guardian Securities Limited receives all management fees that have been paid by the Consolidated Entity during the year. The Consolidated Entity paid the following fees to the Responsible Entity during the financial year:

	Consolidated 2019 $	Consolidated 2018 $
Management fees paid to Guardian Securities Limited	213,711	276,580
Management fees payable to Guardian Securities Limited	289,982	272,880
	503,693	549,460

19 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

	Consolidated 2019 $	Consolidated 2018 $

Other

The Consolidated Entity has not made, guaranteed or secured, either directly or indirectly, any loans to the Directors and Key Management personnel of the Responsible Entity, or their personally related entities, at any time during the financial year.

No Directors and Key Management Personnel of the Responsible Entity, or their personally related entities, have entered into a material contract with the Consolidated Entity, with the exception of Guy Hasenkam who has invested in the Consolidated Entity through units and preference shares as outlined below:

	2019 $	2018 $
Preference shares held in Livingstone Street Residences Development Pty Ltd	100,000	100,000

The preference shares are on the same terms as all other preference shares issued within the Consolidated Entity and are interest bearing at 12% per annum, redeemable 12 months from the date of issue and have priority repayment over ordinary unitholder in the various classes of units of the Consolidated Entity.

	2019 $	2018 $
Units held in Park Avenue Developments Pty Ltd	-	50,000

The units held in Park Avenue Developments Pty Ltd are on the same terms as all other unitholder funds in accordance with the part 2 Product Disclosure Statement issued.

20 AUDITORS REMUNERATION

During the financial year the following fees were paid or payable for services provided by PKF (Gold Coast) the auditor of the Fund, its network firms and unrelated firms:

	2019 $	2018 $
Audit services – PKF (Gold Coast)		
Audit of the financial statements and compliance plan	30,000	30,000
Other services – PKF (Gold Coast)		
Tax compilation and advice	28,000	24,000
	58,000	54,000

21 CONTINGENT LIABILITIES

The Consolidated Entity did not have any contingent liabilities as at 30 June 2019 (2018: $nil), other than those arising from performance obligations in relation to contracts entered by Park Avenue Developments Pty Ltd under the it's normal operations.

22 COMMITMENTS

Except for construction and development contracts relating to projects as outlined in note 11, there are no other commitments, either capital, operating or finance, as at 30 June 2019 (2018: $nil).

23 RELATED PARTIES

	Consolidated 2019 $	Consolidated 2018 $

Parent entity
SMSF Property Fund is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 25.

Key management personnel
Disclosures relating to key management personnel are set out in note 19.

Transactions with related parties

	2019 $	2018 $
Finance and interest costs paid on preference shares	2,996,081	1,510,921

Finance and interest costs have been paid to The Guardian Investment Fund which is a registered scheme of which Guardian Securities Limited also acts as Responsible Entity and to Guy Hasenkam. The costs are in relation to the preference shares issued which are outlined below.

Apart from the other transactions disclosed below and those disclosed above, there are no transactions with related parties during the financial year ended 30 June 2019 (2018: $nil).

Receivables from and payables to related parties

	2019 $	2018 $
Trade payables to The Guardian Investment Fund	282,411	524,248
Loans payable to Guardian Securities Ltd	7,467	4,467
Loans payable to GSL Services Pty Ltd	-	47,369

Loans payable to GSL Services Pty Ltd, a related entity to the Responsible Entity, are unsecured, interest free and at call.

Apart from the other transactions disclosed below, there are no receivables from or payables to related parties as at 30 June 2019 (2018: $nil).

Related party investments held by the Consolidated Entity

The Consolidated Entity has no investment in related parties as at 30 June 2019 (2018: $nil).

Related party investments

	2019 $	2018 $
Preference shares	28,295,037	19,652,696

Preference shares have been subscribed for by The Guardian Investment Fund which is a registered scheme of which Guardian Securities Limited also acts as the Responsible Entity.

Apart from the investments held by Guy Hasenkam, as outlined in note 19, and the other transactions disclosed below, no related parties have investments in the Consolidated Entity as at 30 June 2019 (2018: $nil).

23 RELATED PARTIES (CONT'D)

	Consolidated	
	2019	2018
Other related party transactions	$	$

The Consolidated Entity is dependent upon the ongoing successful operation of SMSF Property Australia Pty Ltd (“the property development manager”), SMSF Property Capital Pty Ltd (“the authorised representatives”), SMSF Asset Sales Pty Ltd (‘the sales agent”) and Integrated Civil Pty Ltd ("the civil works company"). These entities facilitate the development, construction and capital raising of the Consolidated Entity’s developments.

Given the relationship between the Consolidated Entity and these parties, they are considered to be related parties and as a result the following transactions have occurred between the Consolidated Entity and these related parties during the financial year:

Property development manager transactions
The following fees were paid by the Consolidated Entity to the property development manager during the financial year:

	2019 $	2018 $
Property Development fees paid to SMSF Property Australia Pty Ltd*	3,252,230	2,664,813
Property Development fees payable to SMSF Property Australia Pty Ltd*	53,886	18,261
	3,306,115	2,683,074

* Subsequent to the year end on 24 July 2019 the company's name changed to Venture Crowd Property Australia Pty Ltd

Construction contract transactions
The following construction costs were paid by the Consolidated Entity to the builder and civil works company during the financial year:

	2019 $	2018 $
Construction costs paid to Integrated Civil Pty Ltd	3,626,153	2,129,476
Construction costs payable to Integrated Civil Pty Ltd	138,001	244,975
	3,764,154	2,374,451

Integrated Civil Pty Ltd are engaged to complete the civil works.

Marketing and promotion transactions
The following marketing and promotional fees were paid by the Consolidated Entity to the sales agent during the financial year:

	2019 $	2018 $
Marketing and promotional fees paid to SMSF Property Sales Pty Ltd*	326,913	-
Marketing and promotional fees payable to SMSF Property Sales Pty Ltd*	-	-
	326,913	-

* Subsequent to the year end on 31 July 2019 the company's name changed to Venture Crowd Sales Pty Ltd

	2019 $	2018 $
Marketing and promotional fees paid to SMSF Property Capital Pty Ltd*	502,733	554,791
Marketing and promotional fees payable to SMSF Property Capital Pty Ltd*	25,446	38,725
	528,179	593,516

* Subsequent to the year end on 22 July 2019 the company's name changed to Venture Crowd Capital Pty Ltd

23 RELATED PARTIES (CONT'D)

Investing activities

Employees and associates of the property development manager and authorised representative have invested the following amounts into the Consolidated Entity at year end:

	Consolidated 2019 $	Consolidated 2018 $
Investments into the fund	1,390,762	2,054,440

These investments are on normal terms and conditions as provided to other investors.

24 PARENT ENTITY INFORMATION

The Corporations Act requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by regulation 2M.3.01 which requires the following limited disclosure in regards to the parent entity, SMSF Property Fund. The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policy described in Note 2.

	2019 $	2018 $
Total assets	32,778,541	33,027,148
Total liabilities	350,509	311,542
Net assets attributable to investors – liability	32,428,032	32,715,606
Profit/(loss) from operating activities	-	-
Total comprehensive income	-	-
Change in net assets attributable to investors	-	-

Guarantees

No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

Contractual commitments

The parent entity has no contractual commitments as at 30 June 2019 and 30 June 2018.

Contingent liabilities

The parent entity has no contingent liabilities as at 30 June 2019 and 30 June 2018.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in Note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

25 SUBSIDIARIES

The consolidated financial statements incorporates the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2.

		Equity holding	
		2019	2018
Name of entity	**Country of Incorporation**	%	%
Paddington View Residences Development Pty Ltd	Australia	100	100
Park Avenue Developments Pty Ltd	Australia	100	100
Stafford Residences Development Pty Ltd	Australia	100	100
Livingstone Street Residences Development Pty Ltd	Australia	100	100
Burrell Avenue Developments Pty Ltd	Australia	100	100
Rosedene Street Residences Development Pty Ltd	Australia	100	100
Bryna Parade Residences Development Pty Ltd	Australia	100	100
Chermside Residences Development Pty Ltd	Australia	100	100
Fernvale Development Pty Ltd	Australia	100	100
Glenvale Devine Developments Pty Ltd	Australia	100	100

26 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2019	2018
	$	$
Profit/(loss) from operating activities after tax and distributions	(7,029,178)	(4,138,635)
Adjustments for non-cash items:		
Movements in working capital:		
Increase/(decrease) in accounts payable	1,190,849	904,986
Decrease/ (increase) in inventories	(6,513,629)	(15,047,691)
Decrease/ (increase) in investment property	(3,610,000)	-
(Increase)/decrease in receivables	(868,059)	(492,377)
(Increase)/decrease in deferred taxes	1,172,477	14,473
Cash flows from operating activities	(15,657,540)	(18,759,244)

27 EVENTS SUBSEQUENT TO REPORTING DATE

On 12th August 2019 Chermside Residences Development Pty Ltd was issued with an enforcement warrant by the Queensland Magistrates Court for costs owing to KAS Projects Pty Ltd, the former builder of the project. As of 11 October 2019, these costs were settled.

Stafford Residences Development Pty Ltd was sold in March 2020. The funds from the sale were used to repay the external loan outstanding which was due to expire. Refer to Note 4 and 15 for further details.

Subsequent to year end, Burrell Avenue Development Pty Ltd's loan from Westpac has been extended to mature in July 2020. However the loan extension documents have not been fully executed.

Park Avenue Developments Pty Ltd has made sales subsequent to year end and used fund generated from the sale to repay the external loan outstanding at year end. The loan was due to expire on 28 March 2020, however the directors of the Responsible Entity have informally agreed with the lender to extend the loan for the duration of the development. Refer to note 4 and 15 for further details.

27 EVENTS SUBSEQUENT TO REPORTING DATE (CONT'D)

The Glenvale Devine Road Development's external loan amounting to $1,700,000 was fully repaid on 3 September 2019 using DIF preference share funding.

On 21 January 2020 Guardian Securities Limited, the Responsible Entity for the Consolidated Entity sold majority shareholding of 51% to the Venture Crowd Group. The remainder of the shares are to be sold under a put and call option on 21 January 2021.

Subsequent to year end, Chermside Residences Development Pty Ltd has exchanged contracts with an external builder to finalise the construction of the inventories. In order to fund the final construction costs, the sub-fund received a Letter of Offer for first registered mortgage finance over the underlying asset of the sub-fund, this financing will be used to payout the existing preference shares and fund the construction of the inventories.

The directors of the Responsible Entity have resolved to hold the underlying developed townhouses for rental returns and capital appreciation. Unitholders have been advised of the proposed strategy to build and hold the assets to ensure the highest possible sales are achieved and maximise investor returns.

Subsequent to year end, the global pandemic of COVID-19 has a significant impact on various industries including the real estate and property market. The impact of the pandemic has been assessed with regards to the Group however due to the uncertainty of the situation, the Group is unable to quantify the impact and will continue to assess the situation as it evolves. If the situation subsequently evolves in that there is a decline in the property market having a negative impact on rent and sales, this may impact on the valuation of the investment properties and inventories held by the Group.

Subsequent to year end, various developments have entered into sales contracts with standard sales terms and in accordance with forecast projections.

There have been no other transactions or events of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

SMSF PROPERTY FUND
AND ITS CONTROLLED ENTITIES
ARSN 159 753 474

DIRECTORS' DECLARATION
30June 2018

In the opinion of the directors of Guardian Securities Limited, Responsible Entity of SMSF Property Fund and its Consolidated Entities:

a. the attached financial statements and notes thereto comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

b. the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;

c. the attached financial statements and notes thereto give a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

d. there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors,

Guy Hasenkam
Director

5 May 2020
Gold Coast

Accountants &
business advisers

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF SMSF PROPERTY FUND

Audit Opinion

We have audited the accompanying general purpose financial statements of SMSF Property Fund ("the Fund"), which comprises the Consolidated Statement of Financial Position as at 30 June 2019, and the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Net Assets Attributable to Unitholders and Consolidated Statement of Cash Flows for the financial year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

In our opinion:

(a) The financial statements of SMSF Property Fund is in accordance with the *Corporations Act 2001,* including:

i. giving a true and fair view of the Fund's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* ; and

(b) The financial statements also comply with International Financial Reporting Standards as disclosed in note 2.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

We draw attention to Note 4 to the financial statements which describes the Going Concern issues relating to Chermside Residences Development Pty Ltd and the loans nearing or over due. Our opinion is not qualified in respect of this matter.

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PO Box 588 • Surfers Paradise • Queensland 4217 • Australia

PKF

Accountants &
business advisers

Independence

We are independent of the Fund in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial statement in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The Directors of Guardian Securities Limited ("the Responsible Entity") are responsible for the other information. The other information comprises the information included in the Fund's annual report, but does not include the financial statement and our auditor's report thereon.

Our opinion on the financial statement does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statement or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Statement

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

In preparing the financial statement, the directors of the Responsible Entity are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The directors of the Responsible Entity are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an opinion on the financial statement based on our audit. Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statement that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, as well as evaluating the overall presentation of the financial statement.

We conclude on the appropriateness of the directors' of the Responsible Entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the financial statement. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors of the Responsible Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the directors of the Responsible Entity with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

PKF
PKF (Gold Coast)

Michael Sheehy
Partner

5 May 2020
Gold Coast